# REPORT TO THE CITYCOUNCIL

June 27, 2006

FROM:

RENE A. RAMIREZ, Director

Department of Public Utilities

SUBJECT:

AUTHORIZATION TO PROCEED WITH THE FORMATION OF A UTILITY COMMISSION

**KEY RESULT AREA** 

One Fresno

#### RECOMMENDATIONS

Staff recommends Council authorize staff to proceed with the formation of a Utility Commission (UC) whose objective will be to develop and implement a community outreach and education program, and recommend a five-year rate plan for all utility enterprises, as well as a formation plan for a Special Utility District. A copy of the proposed charter for the UC is attached.

#### **EXECUTIVE SUMMARY/BACKGROUND**

During the utility rate presentation before Council on June 13, 2006, staff clarified a go forward strategy which ocuses on the creation of a UC, made up of various utility stakeholder groups, whose objective will be to provide the necessary community outreach and education as it relates to utility rates. The UC will also be tasked to recommend a five-year utility rate plan for the four utility enterprises to the Mayor by November 2006 and to the Council by December 2006. The final task for the UC will be to develop a formation plan for a Special District, such as a Municipal Utility District.

Staff has prepared a Charter for the UC (attached) to provide guiding principles and objectives, as well as establishing expectations. The Charter envisions an eleven-member commission comprised of four (4) Mayor appointees, and one (1) appointee from each Councilmember.

Staff recommends engaging a professional facilitator whose role will be to keep the UC on task to achieve the desired outcome based on the Charter's objectives. Staff's role will be one of support for such things as providing relevant information, meeting minutes, assisting with reporting preparation, both status and final, and coordinating presentations by rate consultants.

#### KEY OBJECTIVE BALANCE

The formation of a UC balances the three key objectives in that it seeks customer input and participation with regards to future rates, allows for employee input participation also, and will recommend steps to financial management of the utility enterprise funds.

#### FISCAL IMPACT

The funding for a professional facilitator, if requested by the Commission, will be derived from all four utility funds.

Attachment: UC Charter

AGENDA ITEM NO. 9:15am"B"

COUNCIL MEETING: June 27, 2006

APPROVED BY

DEPARTMENT DIRECTOR

CITY MANAGER

# City of Fresno Utility Commission Charter

# Background

The City of Fresno's Department of Public Utilities (DPU) provides essential utility services to the community including drinking water supply, wastewater treatment, sewer maintenance, refuse and recycling collection and community sanitation services. Like many public utilities agencies, DPU is facing a number of challenges such as increasing state and federal regulations, inflationary pressures from energy and other costs, the need to rehabilitate and maintain its aging infrastructure and meeting the growth needs of the community. The last City of Fresno rate increases for sewer and community sanitation rate fees occurred in September 1996 and for water and solid waste rate fees in September 2002.

To assure that any future rate increase adequately addresses the long-term needs of the utility department, the Mayor has directed the City Manager to establish a Utility Commission (UC) to begin a community outreach and education project, and return with a long-term utility plan, and plan for formation of a special utility district, such as a Municipal Utility District.

# **Expected Outcomes**

By November 1, 2006, the UC will develop, implement and complete a community outreach and education program that includes a recommended five-year utility rate structure plan, and a formation plan and timeline for a special utility district to include all the City's public utilities. The plans will be submitted to the City Manager.

#### **Utility Commission Members**

Commission will consist of 11 members; 4 appointed by the Mayor and 1 appointed by each Councilmember.

# Plans Will Ensure the Following:

- 1. The long-term health of all utility funds through the use of sound financial and rate setting policies and practices.
- 2. Protection of the community's investment in current infrastructure, through appropriate maintenance.
- 3. Adequate funding of future infrastructure for planned growth to support the 2025 General Plan.
- 4. Completion of required water meter installation by 2013.
- 5. Protection of public health and safety standards.
- 6. Preservation of essential service levels in all utilities.

- 7. Compliance with Federal and State regulatory requirements.
- 8. A prudent operating reserve in each utility enterprise.
- 9. Satisfaction of bond debt service coverage ratios in order to protect the City's credit rating.
- 10. Balance of the City's three key objectives of financial management, customer satisfaction and employee satisfaction.
- 11. The community outreach and education program reaches out to all potentially affected interests.

# General Guidance

- 1. The UC will operate under the guidelines of the City of Fresno Legal Handbook for City of Fresno Boards, Commissions, Committees, and Similar Bodies.
- 2. The UC is responsible for determining how best to accomplish the expected outcomes, including what information to collect, how to collect and analyze the information and the reporting format.
- 3. The recommendations of the UC will represent a consensus of the commission. In other words, there will be no majority or minority reports.
- 4. The commission is to be independent in its work, but not independent and apart from the City. Therefore, any and all inquiries or requests for information from outside parties, including the media, will be directed to Rhonda Jorn, the City of Fresno's Public Affairs Officer.
- 5. Documentation of all commission proceedings will be kept.
- 6. The Commission will establish their own work schedule to accomplish the expected outcomes as stated above.
- Jon Ruiz, Assistant City Manager, will be the commission's primary point of contact within the City. Any logistical support will be coordinated through Jon or his designee.
- 8. Any additional resources or expertise that the commission may need will be coordinated through Jon Ruiz or his designee.
- 9. Department of Public Utilities staff will provide technical, financial and administrative support to the Committee.
- 10. A meeting facilitator is available to assist the Commission.
- 11. The draft rate studies completed during the past 12 months will be used as the foundation of the Commission's work.